

Message Text

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ACTION EUR-12

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AMEMBASSY CONAKRY

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C O N F I D E N T I A L MOSCOW 17907

E.O. 11652: GDS

TAGS: ETRD, EEWT, UR, US

SUBJECT: ALCOA, KAISER AND SOVIET ALUMINUM PROJECT

REF: (A) MOSCOW 14205 (B) MANILA 15768

1. EDWARD WHITE, SALES MANAGER IN ALCOA'S TECHNOLOGY MARKETING DIVISION, TOLD COMMERCIAL OFFICE DEC 11 THAT HIS COMPANY HAD GOOD CHANCE OF LANDING PART OF SOVIET ALUMINUM PROJECT. DURING HIS MEETINGS LAST WEEK WITH DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV AND METALLURGIMPORT OFFICIALS, SOVIETS INDICATED THEY MIGHT DIVIDE PROJECT, GIVING PECHINEY RESPONSIBILITY FOR NIKOLAYEV ALUMINA REFINERY WHILE ALCOA WOULD TAKE SAYANO-SHUSHENSKOYE ALUMINUM SMELTER. RATIONALE FOR DIVISION REPORTEDLY BASED ON PECHINEY'S READINESS TO MOVE ON REFINERY PROJECT, WHERE PREPARATORY WORK ALREADY UNDERWAY, ALTHOUGH SOVIETS HAD PREVIOUSLY EMPHASIZED IMPORTANCE OF ALCOA'S PROVEN TECHNOLOGY FOR PROCESSING GUINEAN BAUXITE.

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2. WHITE ALSO SAID THAT SOVIETS STILL AMENABLE TO ALCOA'S INSISTENCE ON CASH SALE OF EQUIPMENT AND TECHNOLOGY, COUPLED WITH PURCHASES OF METAL FROM COMPLETED SMELTER. METAL PRICE STILL UNRESOLVED DESPITE RAZNOIMPORT CHAIRMAN RUSSOV'S VISIT TO PITTSBURGH THIS FALL. COMPANY NOW PROPOSING PRICE BASED ON SEC INDEX FOR ALUMINUM.

3. KAISER TRADING'S BRUCE WILSON, IN MOSCOW LAST WEEK ON OTHER BUSINESS, REPORTED THAT SOVIETS HAD RECENTLY ENCOURAGED HIS COMPANY TO REACTIVATE ITS PROPOSAL ON ALUMINUM PROJECT. HOWEVER, KAISER UNWILLING TO DO FURTHER PREPARATORY WORK IN ABSENCE OF ADEQUATE GUARANTEE OF GENUINE SOVIET INTEREST.

4. COMMENT:

A. IT IS NOT SURPRISING ALCOA NEGOTIATIONS STICKING ON METAL PRICE AS THIS WAS KEY PROBLEM IN DISCUSSIONS WITH KAISER. WHILE DIVISION OF PROJECT IS PERHAPS SENSIBLE DUE TO HUGE SCALE, IT MAY CAUSE DIFFICULTIES FOR PECHINEY, WHICH WOULD PRESUMABLY THEN DEPEND ON ALCOA TO COMPLETE SMELTER WHICH WOULD PRODUCE METAL TO PAY PECHINEY FOR ROLE IN CONSTRUCTING ALUMINA REFINERY.

B. RECALLING REF (B) BUT MENTIONING NO NAMES, COMOFFS TOLD WHITE AND WILSON THAT SOVIETS APPARENTLY STILL GIVING MUTUALLY CONTRADICTORY ASSURANCES TO ENCOURAGE COMPETITION FOR PROJECT.

STOESSEL

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